

March 10, 2010
Township Building

A regular meeting of the **FINANCE COMMITTEE** was held tonight, Chairman Michael J. Swavola presiding. Members present were Commissioners Hampton, Haywood and Sharkey. Also present was ex-officio member Simon. Staff members present were Township Manager David G. Kraynik; Director of Fiscal Affairs Elizabeth McBride and Assistant Township Manager Bryan Havir. Also present was Finance Officer Steven Burns. A Public Attendance list is attached.

1. The Committee reviewed the 2009 Fund Balance as determined by the Township's independent auditors Maillie, Falconiero & Company as follows:

Balance from Period 1/1/2009 – 12/31/2009	\$ 660,406
Previous Cumulative Fund Balance	3,465,701
Total Fund Balance as of 12/31/2009	4,126,107
Amount Budgeted for 2010	1,203,781
Uncommitted Fund Balance 1/1/2010	\$ 2,922,326

Mr. Kraynik commented that with help from department heads, expenses were held to 96% of the budget and revenues came in at 97%, providing for growth in the fund balance. He reported that the total fund balance is 11.28% of the operating budget and the uncommitted fund balance amount is 8% of the budget. He said that bond rating companies like to see a fund balance of between 5% and 10% of total budget.

Mr. Burns informed the Committee that an assessment appeal was successful in December which resulted in a request for a refund of \$46,570. Mr. Kraynik and Ms. McBride indicated that this issue did not sound familiar to them.

2. A review of the Executive Financial Summary Report for the period ended February 28, 2010 was approved by the Committee. Mr. Kraynik explained that revenues

and expenses through the second month of 2010 were in keeping with those of the second month of earlier years with the exception of Earned Income Tax (EIT) revenues. EIT is higher than in previous years due to increased receipts from Berkheimer combined with timing of the receipts.

3. Mr. Kraynik explained that every two years the pension plans are actuarially valued. The latest valuation reflects valuations through January 1, 2009. Since 2007 and 2008 were very poor performing years for investments, the Township's four pension plans do not have the value they should, by actuarial standards. In addition, the improved performance for investments during 2009 is not reflected in this valuation of January 1, 2009 and will not be reflected for two years. Mr. Kraynik reminded the Committee that for over a year, it was known that this valuation was due and would be expensive. The Pennsylvania legislature is allowing for asset smoothing options.

Mr. Simon believes the Board should adopt smoothing and acknowledged that the pension plans had seen improvement during 2009. Mr. Simon supports either the 115% or the 120% option. Mr. Haywood emphasized that the 120% option could translate into an 8% real estate tax increase whereas not electing any smoothing option could translate into a real estate tax increase of over 14%. Mr. Haywood prefers the 130% option but could support the 120% option. Mr. Kraynik agreed with Mr. Haywood's understanding that if township revenues increase that the demand on real estate taxes for pension funding would be lessened.

Mr. Swavola pointed out that the Township and almost all other pension providers always fund at the minimum level. Mr. Haywood suggested that conversations should be had with state representatives to see if other options can be made available.

Mr. Sharkey asked for Ms. McBride's recommendations. Ms. McBride stated that in light of the fact that pension funding will impact the Township residents for both the township and the school district, she recommends the 120% option. She stated that if the issue was only a township issue, she would recommend the 115% option.

Mr. Sharkey explained to those in attendance that this situation was not a creation of anything the township did but of the world economy. Mr. Sharkey mentioned that the 120% smoothing option may result in an average real estate tax increase of \$84. Mrs. Hampton encouraged a 'tightening of belts' regarding spending this year and during the budget preparation process for 2011.

Upon motion of Mr. Sharkey, the Committee unanimously recommended to the Board of Commissioners, the adoption of a Resolution adopting a 120% Asset Smoothing Method for the actuarial valuations of the Township's four pension plans as of January 1, 2009. (see attached)

4. Business Privilege Tax returns.

Mr. Simon moved to table this agenda item, at the request of Mr. Burns.

The Committee concurred.

5. New Business.

Mr. Swavola wants to begin now a process which will allow the employees to anonymously submit recommendations for cost savings measures. He proposed placing this issue on the next Public Affairs Committee agenda.

There being no further business, upon motion of Mr. Haywood, and approved by the Committee, the meeting was adjourned.



David G. Kraynik
Township Manager

Per: Elizabeth McBride
Director of Fiscal Affairs



*Public Attendance List



Finance Committee, 7:30 P.M.

Parks and Recreation Committee 7:45 P.M.

Public Works Committee, 8:00 P.M.

March 10, 2010

Township Administration Building
8230 Old York Road
Elkins Park, PA 19027-1589

***(Please Print Clearly)**

NAME	ADDRESS	PHONE # / EMAIL
Barbara Duffy	8 Hewitt Rd	beduffy@comcast.net
Linda Shannon	1702 Erten Rd	LadyLinda@gmail.com
Alga + Tom McHugh	127 Hewitt Rd.	
Theresa Camerata	1112 Church Rd.	
Debra Williams	812 Beech Av	debwilliams@msn.com
Kathy Alexander	2707 S 76 th St 19153	267-296-2379
Nicole Berg	6231 N 14 th 19141	215-924-5765
Johnnie Barnes	8003 Gilbert Phila 19150	215 549 6748
HAROLD CARTER	8644 FAYETTE Phila 19150	215-247-4058
DANIEL WARDEN SR.	4501 N Smedley St. PHILA, PA 19140	215 324 5774
Gloria Youmans	6618 N 4 th 19126	215 924-1476
GEORGE A. ROBERTS	1830 ELSTON 19126	215-548-8518
Glyde Lewis	1845 ELSTON 19126	215-924-8319

(Please Print Clearly)

Print Name	Mailing Address	Telephone Number	E-mail Address
Walter Crawford	7927 Gilbert St Phila - PA. 19150		215 276 0189
Fred Nicholson	1990 Ashbourne Rd Park PA	19027	215 887 1919
David Scott	125 Kewson Ln Cheltenham PA	19012	215-884-0683
George S. Stone	1990 Ashbourne Rd Park PA		
Terrance Barrett	203401 York Rd Phila PA	19027	267-921-3191
Julie Elliott	1812 Chelsea Rd Ekins Park, PA		215 635 2644
Silas Gilbert	604 E. Vernon Rd Phila. PA. 19119		215-844-5690
Ron Bullock	1725 CHELTENHAM AVE LA Mo # 19027		CORRI ROP@VERIZON.NET 215-439-3452
Robert S. Massey	1219 E. Barringer Ln Wm Gardnrb		215-548-7074
Coail Post	106 Cliff Tr Wyncote		215 884-8601
Westly Shimon	1730 CHELSEA 782 1936		
Otis Bing	3850 N. 19 St. Phila PA. 19140		215-223-8494
Geneva O'Neal	111 W. Sylvania St. Phila, Pa. 19144		215 843 2124

FIVE-YEAR ANALYSIS – AS OF FEBRUARY 2010

	2010	2009	2008	2007	2006
Expenses	34%	35%	32%	31%	30%
Revenues	6%	5%	6%	5%	5%
EIT	9%	1%	4%	6%	4%
Group Health Ins.	16%	16%	17%	16%	24%
Real Estate	5%	6%	7%	5%	5%

Cheltenham Township Pension Plans (Combined for Summary)
Actuarial Valuation at January 1, 2009 (first used to determine 2011 MMO)

	<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u> Act 44	<u>5</u> Same as Col. 3 + Use Act 44 Amort Reduction for 2011
	Assets Valued at Market Value	Assets Valued at 115% of Market	Assets Valued at 120% of Market	Assets Valued at 130% of Market	
Actuarial Accrued Liab.	\$ 57,322,933	\$ 57,322,933	\$ 57,322,933	\$ 57,322,933	\$ 57,322,933
Actuarial Value of Assets	\$ 33,524,679	\$ 38,553,381	\$ 40,229,615	\$ 43,582,083	\$ 43,582,083
Unfunded Acc'd Liab. (UAL)	\$ 23,798,254	\$ 18,769,552	\$ 17,093,318	\$ 13,740,850	\$ 13,740,850

Projection of 2011 Minimum Municipal Obligation (MMO)

(based on estimated 2010 payroll of \$14,642,500 - excludes 4 DROP members)

Normal Cost	\$ 1,525,000	\$ 1,525,000	\$ 1,525,000	\$ 1,525,000	\$ 1,525,000
Administrative Expenses	\$ 182,500	\$ 182,500	\$ 182,500	\$ 182,500	\$ 182,500
Amortization of UAL	\$ 2,709,000	\$ 2,143,000	\$ 1,955,500	\$ 1,579,500	\$ 1,184,625
Financial Requirement	\$ 4,416,500	\$ 3,850,500	\$ 3,663,000	\$ 3,287,000	\$ 2,892,125
Member Contribs.	\$ (673,000)	\$ (673,000)	\$ (673,000)	\$ (673,000)	\$ (673,000)
Estimated MMO	\$ 3,743,500	\$ 3,177,500	\$ 2,990,000	\$ 2,614,000	\$ 2,219,125
Estimated State Aid *	\$ (924,000)	\$ (924,000)	\$ (924,000)	\$ (924,000)	\$ (924,000)
General Fund Obligation	\$ 2,819,500	\$ 2,253,500	\$ 2,066,000	\$ 1,690,000	\$ 1,295,125

Increase in 2011 MMO compared to 2010 MMO **	\$ 1,959,204	\$ 1,393,204	\$ 1,205,704	\$ 829,704	\$ 434,829
	\$150.99/14.3%	\$107.36/10.2%	\$84.18/8.0%	\$63.94/6.0%	\$33.51 or 3.2%

* Assumes State aid unit value of \$3,000 in 2011 and
 Police: 80 active non-DROP members (two units per member),
 Salaried: 87 active members (one unit per member)
 Hourly: 61 active members (one unit per member)

** The 2010 MMO (based on 1-1-2007 actuarial valuation) is \$1,784,296. The increase shown is due mainly to the 2007/2008 investment loss of approximately \$13,908,000.

TOWNSHIP OF CHELTENHAM

RESOLUTION NO. _____

ADOPTING THE 120% ASSET SMOOTHING METHOD TO DETERMINE THE ACTUARIAL VALUE OF ASSETS IN ALL TOWNSHIP PENSION PLANS.

A Resolution of the Township of Cheltenham, Montgomery County, Pennsylvania, adopting an asset smoothing method to determine the actuarial value of assets as part of the actuarial valuations for the Cheltenham Township Police Pension Plan, Cheltenham Township Salaried Employee Pension Plan, Cheltenham Township Hourly Employee Pension Plan and the Cheltenham Township Board of Commissioners Pension Plan, according to §203.2 of the regulations covering the implementation of the actuarial funding rules of Act 205 of 1984 (P.L. 1005, No. 205, 53 P.S. §§895.101-895.803) published by the Public Employee Retirement Commission, as amended by Act 44 of 2009.

WHEREAS, the Township of Cheltenham has previously submitted the actuarial valuation reports for the Cheltenham Township Police Pension Plan, Cheltenham Township Salaried Employee Pension Plan, Cheltenham Township Hourly Employee Pension Plan and the Cheltenham Township Board of Commissioners Pension Plan using the fair or market value of plan assets to determine the actuarial value of assets; and

WHEREAS, the Township of Cheltenham desires to use an asset smoothing method to determine the actuarial value of assets, effective with the January 1, 2009, actuarial valuations, whereby the market value is adjusted with gains or losses over the prior five years, but in no event can the actuarial value of assets exceed 120% or be less than 80% of market value; and

WHEREAS, the Township of Cheltenham desires to adopt a method for valuing assets for actuarial valuation purposes under the regulations cited above as determined by the Plan's actuary; and

NOW THEREFORE, be it resolved and enacted by the Township of Cheltenham that the asset smoothing method to determine the actuarial value of assets be adopted for the Plans, effective with the January 1, 2009, actuarial valuation reports.

Done in Elkins Park, Pennsylvania, under my hand and the Seal of the Township of Cheltenham, this 17th day of **March, AD., 2010**, in the year of the Township of Cheltenham, the one hundred and eleventh.

Morton J. Simon, Jr., President
Board of Commissioners

ATTEST:

David G. Kraynik, Township Manager

(SEAL)